

INSTRUMENT	LAST PRICE	1 DAY	1 MONTH	1 YEAR
USD/INR	71.17	-0.11%	0.1%	8%
EUR/INR	80.95	-0.36%	-0.9%	2%
GBP/INR	94.63	-0.25%	1.4%	4%
JPY/INR	64.19	0.03%	-1.8%	5%
EUR/USD	1.1375	0.04%	-0.6%	-7%
GBP/USD	1.3296	-0.10%	1.4%	-3%
USD/JPY	110.89	-0.10%	1.8%	4%
USD/CNH	6.6827	0.02%	-0.4%	5%
10 YR YIELD- IN	7.46	(0.02)	0.13	(0.27)
10 YR YIELD- USA	2.67	(0.01)	(0.08)	(0.19)
GOLD (\$/Oz)	1,319	-0.1%	0%	0%
SILVER (\$/Oz)	15.74	0.0%	-2%	-4%
BRENT CRUDE (\$/Brl)	66.19	-0.3%	7%	1%
COPPER 3M (\$/Ton)	6507	0.2%	7%	-7%
NIFTY	10826	0.18%	-0.05%	3%
HANGSENG	28786	0.10%	3.02%	-7%
S&P 500	2792	-0.05%	3.26%	3%
INR 1M FWD	0.30	(0.01)	0.07	0.06
INR 2M FWD	0.59	0.01	0.12	0.12
INR 3M FWD	0.83	0.01	0.09	0.17
INR 6M FWD	1.56	(0.03)	0.10	0.30
INR 12M FWD	2.98	0.00	0.10	0.55
	<b>1 DAY</b>	<b>MTD</b>	<b>QTD</b>	<b>CTD</b>
FII INVESTMENT- EQ (\$ Mn)	234	2,308	2,232	2,232
FII INVESTMENT- DEBT (\$ Mn)	(238)	(637)	(1,004)	(1,004)
TOTAL- (\$ Mn)	(4)	1,671	1,228	1,228

CURRENCY	ECONOMIC DATA
EUR	German Prelim CPI
USD	Advance GDP

#### WORLD NEWSWIRE

- China's official Purchasing Managers Index came in at 49.2, below both the 49.5 which had been both January's print and the expected February result. This series has now been below the 50 mark which separates expansion from contraction since December.

#### FX VIEW

Geopolitical tensions is driving The Rupee. Situations remains fluid between India and Pakistan at the border. Therefore volatility will be high. However, USDINR has not breached any major resistance levels as prices are hovering below 71.50 on spot. One reason could be alleged intervention by the central bank. The pair has been oscillating between 72.00 and 70.00 since the beginning of 2019, with bulk of the trading restricted within an even narrow range of 70.70 and 71.50 on spot. The longer the range continues, the greater the chances of a large move post resolution. Question remains, which way will it swing?

For USDINR to breakdown below 70.50 and test 69.50 and even 69.00, a couple of developments need to happen domestically as well as globally. For one, the political risk of a hung Parliament needs to be taken off the table and second, the situation between India and Pakistan needs to be defused. On the global front, Dollar the risk-on mood post US-Sino trade truce and Fed's dovish tilt needs to last long. Remember, RBI in the past has been an active buyer of Dollars closer to 70.00 levels.

For USDINR to breakout above 72.00, much effort may not be needed as number of existing dynamics turning worse can cause it. For example, if the Indo-Pak standoff leads to full scale war, then it can knock the INR hard. At the same time, with Lok Sabha elections approaching, political risk is high and that can cause USDINR to squeeze higher. However, there is a connecting thread between geopolitics and politics. In an election year, how effectively Gol handles the Indo-Pak situation can have a bearing on their performance in the election. Till now Mr. Modi has handled the situation quite well and has been able to portray the image of a strong leader. If that remains so till we head to polls, it can reduce the risk of a hung parliament. Nevertheless, global dynamics can impact USDINR, where a risk-off in EMs or if oil prices spiral higher, can take USDINR higher.

Yesterday, on the global front, simultaneous testimony by Lighthizer, Powell and Cohen covered trade wars, monetary policy and political instability themes. US Trade Representative Lighthizer suggested the US-China negotiations were not complete. The question remains how long will the effect of the "trade deal" last in the markets. Fed chief testimony during the second day had nothing new and hence did not have much impact on markets. US stock market closed marginally in the red and Asian stocks are following through with the weakness. Oil is back above 66 on Brent crude grade. Brexit process has removed almost the possibility of a "no-deal" which augurs well for GBP. Today, traders will keep a close watch on USD Q4GDP, which is expected to slow to 2% from 3.4% previously.

#### TECHNICAL VIEW:

USDINR is supported between 70.90/71.00 and resistance around 71.25/30 and 71.45/50 on spot. We would be buyers on decline with a stop below 70.90 on spot on a closing basis.. On majors, we would look to buy the decline in GBPUUSD and GBPINR. On GBPUUSD we would look to buy on decline with stop below 1.30 on a daily closing basis. On GBPINR, we would look to buy the dips with stop below 92.00 on a daily closing basis.

\*\*\*\*CHART ON NEXT PAGE\*\*\*\*



Source: Bloomberg

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